

MONTANA BOARD OF HOUSING

301 S Park Ave., Room 226

Helena MT 59601

November 17, 2006

ROLL CALL OF BOARD

MEMBERS: Bob Thomas, Chairman (Present)
Judy Glendenning, Vice Chairman (Present)
J.P. Crowley, Secretary (Present)
Susan Moyer (Present)
Audrey Black Eagle (Absent)
Jeff Rupp (Present)
Betsy Scanlin (Present)

STAFF: Bruce Brensdal, Executive Director
Mat Rude, Multifamily Program Manager
Gerald Watne, Multifamily Program Officer
Chuck Nemec, Accounting & Finance Manager
Vicki Bauer, Assistant Accounting & Finance Manager
Joice Franzen, Accounting Technician
Nancy Leifer, Homeownership Program Manager
Charles Brown, Homeownership Program Officer
Jeannene Maas, Training & Development Specialist
Kellie Lynch, Homeownership Program Specialist
Julie Hope, Homeownership Program Specialist
Diana Hall, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt

OTHERS: Peter Nolden, UBS
Gordon Hoven, Piper Jaffray
Jim Stretz, GK Baum
Beth Siville, GK Baum
Cory Hoeppner, Citigroup
Frank Fallon, RBC Capital Markets
Erin Rudio, DA Davidson
Rachael Baker, Wells Fargo
Cindy Donnell, USDA Rural Development
Sheila Rice, MHN
James Mace, MHN

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

APPROVAL OF MINUTES

J P Crowley moved to approve the October 17 Board meeting minutes. Betsy Scanlin seconded the motion. Jeff Rupp asked to be listed as excused rather than absent. The Chairman asked for public comments. The motion passed unanimously.

INTRODUCTIONS AND PUBLIC COMMENTS

The Chairman asked the Board, staff, and guests to introduce themselves and asked for any public comments

CO-MANAGER REVIEW

Bruce presented the Board with a list of the co-manager duties, criteria to review, and items for consideration. The staff recommended maintaining the current underwriting team but authorize the establishment of a selling group for Citigroup Financial and George K Baum. They would review the performance of the co-manager group after 3 bond issues to see if any changes are needed. This recommendation was in the form of a motion tabled at a previous meeting.

Beth Siville of GK Baum, Cory Hoepner of Citigroup, Frank Fallon of RBC Capital Markets, Erin Rudio of DA Davidson, and Gordon Hoven all gave a summary of what they could offer the Board as a co-manager or part of the selling group and their opinion of the staff recommendation.

Susan Moyer moved to take the motion (to maintain the current underwriting team but authorize the establishment of a selling group for Citigroup Financial and George K Baum. The Board would review the performance of the co-manager group after 3 bond issues to see if any changes are needed) from a previous meeting from off the table. Jeff Rupp seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

MULTIFAMILY PROGRAM

Mat Rude said there is an interest in some loans and one 4% bond deal. The Southern Lights project in Billings is asking for a \$275,00 first mortgage loan. It will possibly be brought to the Board in December. The interest rate on current loan portfolios is being considered. They are targeting the 30% median income range.

Valley Apartments in Ashland is a Rural Development project and they are requesting a \$67,000 loan for 6 units. Hopefully the funds can come from the Revolving Loan Account.

The Vintage Apartments in Missoula have not provided the community support to meet minimum threshold for the project.

Mat said there are no Reverse Annuity Mortgage (RAM) exceptions this month. Staff is trying banner advertising in the newspapers. Betsy encouraged using the Rural Electric Cooperative newsletters to reach seniors in rural areas.

FINANCE PROGRAM

Chuck Nemec presented the Investment Policy change to remove the language that states: “Realized and unrealized gains/losses and the changes from the previous report” from the quarterly reporting. Judy Glendenning moved to drop the gains and losses language in the investment policy from quarterly reports. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

The annual financial report is completed and the annual audit resulted in a clean opinion. The Auditors will be at the December meeting.

The Budget Report as of Fiscal Year End on June 30, 2006 showed 70% of the budget spent.

HOMEOWNERSHIP PROGRAM

Nancy Leifer reported that all of the 2006 C bond funds are committed and staff will start using the Bridge Program, under which general Board moneys are used to purchase loans and then those moneys are reimbursed from bond moneys when the bonds are actually issued. The interest rate at Bloomberg is 5.72%; the interest rate locally is 5.875%. It has not impacted the number of Montana Board of Housing (MBOH) loans and we will not change the rate at this time. Nancy anticipates pricing a new bond issue in January. There is an opportunity to refinance \$35,000,000 of pre-Ullman funds so they can be recycled. She suggested a bond issue of approximately \$87,000,000, which is \$52,000,000 of lendable proceeds which should reach into April. Peter Nolden noted that the last issue came out well because MBOH purchased fewer setasides at 5.5% and more out of the regular bond funds. Therefore, funds are available to use as a hedge to blend down a rate in the future. The next deal will have an economic refunding.

Cindy Donnell of Rural Development said that RD has done more leveraged loans since October 1st than they did all of last year. The 6% on MBOH loans is still an attractive rate to the very low-income people that need RD funding also. Nancy said the housing prices on the lower tier seem to be less affected by softening in the market.

Nancy reviewed the Real Estate Owned (REO) report that shows several properties listed. Rural Development only guarantees 90% of the loan. MBOH hopes to have foreclosure training in January or February for MBOH non-profit partners to explain the process and how they can mitigate losing their second mortgage loans in a foreclosure situation.

All lenders audited by the Legislative Auditor have responded in a timely manner and made the corrections. Nancy presented the Board with the response from Wells Fargo which included plans for which system changes are being made to correct future problems. Joice Franzen, an accounting tech for MBOH, said Wells Fargo has given a letter to their vendors. They will send documentation to confirm that all loans are in compliance. Nancy pointed out that there were no exceptions for the trial balances and payments in accounting, so the lenders are doing a good job and the accounting techs have provided great training. The accounting techs will make sure the lenders are implementing all of the requirements for hazard insurance as they go into the field this coming year.

Nancy congratulated Jeff and the Bozeman HRDC for receiving a HUD counseling grant for Montana along with WORD, the HRDC of Billings, Lake County Community Housing Org., and MBOH. Sheila Rice summarized the results of last year's Counseling Grant. She said the budget for this year is lower because the amount of the HUD grant to MBOH was cut. All MBOH and HUD dollars, along with additional funds from Neighborhood Reinvestment, will go to reimbursing partners for their homebuyer education and housing counseling. Jeff recommended that MBOH should help support a delivery system that is stable when HUD cuts the amount that goes to Montana. He suggested that MBOH be a resource that fills in the gap to equalize the playing floor for a series of providers that do homeownership counseling. Jeff praised Sheila and the partner committee for the job they do and also for encouraging him and other partners to apply for a grant too. Sheila said MHN has plans to find out what the market is like, how has it changed, and what is needed in terms of loan products that would be more specific for each market. Sheila introduced James Mace who is the new Director of Finance and Accounting for Neighborhood Housing Services and Montana Homeownership Network.

Nancy presented the request for comments for the Homebuyer Education and Counseling Grant and said the process is starting for next year. She noted that Genworth reduces the private mortgage premium by 10 basis points to those borrowers who have a certificate from one of our partners.

The board packets included a statistical report showing who is being served by MBOH loans. The average income has gone up for the setaside funds by 6.6% and went down 1% for the regular bond program. The loan amount has gone up 18.7% for setasides and 8.1% for regular bond loans. Nancy will provide more statistics for the past 2 years to determine the current need. MBOH is starting some web training sessions in January for lenders.

Nancy presented a draft of minimum standards for private mortgage insurance (PMI) coverage. Any PMI company could provide the mortgage insurance if they meet the minimum requirements. Judy Glendenning moved to accept the standard for PMI. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Nancy gave the summary of use of setaside programs and requested that the Board designate 20% of the 2007A bond issue for set-aside loans. Judy Glendenning moved to reserve 20% of the 2007 A bond issue for setasides. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Nancy proposed amending the existing Terms and Conditions for Habitat home loans to require all Habitat homes to either have government-backed mortgage insurance, or to have a second mortgage held by the Habitat Chapter that exceeds 20% of the value of the home. Judy Glendenning moved to establish the policy allowing a second mortgage that exceeds 20% of the value of the home. Susan seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Nancy reviewed a memo in the board packet outlining several options for land costs in high housing cost areas. She clarified that MBOH cannot make grants, so any use of the funds would have to be in the form of loans. Jeff asked whether long-term 0% loans would be permissible, and asked board counsel to research the definition of loan.

Betsy stated that she feels we need to be doing more to assist people in finding housing in high growth areas and noted that she will be working with folks in Red Lodge on a possible mobile home park acquisition. She feels that we are doing too much to assist higher income households, and need

to do more to assist lower income households. She also stressed the need for programs to house essential workers, especially in the areas of the state that are experiencing high economic growth and high housing prices. Rather than relying on new legislation to provide funds, she stressed the option of using some set-aside funds now to address high housing cost areas. Betsy also reiterated the importance of curbing sprawl.

Jeff noted that the 35% policy essentially deals with the sprawl issue, but noted that the Board should take a pro-active stance in letting our partners and others in high cost communities know that we have resources such as 0% loan funds so that communities can come up with solutions. We don't necessarily need to solve it, but let communities know they can come to us, particularly when it comes to the price of land in these areas. Jeff stated that he would be willing to offer 50 year loan terms if that is permissible.

Bruce noted that MBOH can do this, but there is a limit to the amount we can make available. Jeff responded by asking staff to show him what that amount is, and Bruce noted that the memo in the packets put it at about \$750,000. The focus of the discussion turned to priorities for the use of special reserve funds. This will be taken up again at the next board meeting.

Nancy said the 35% rule and land cost issue will be included in the training session prior to the next board meeting in December.

EXECUTIVE DIRECTOR

Bruce Brensdal updated the Board on a bill in the Governor's budget for a mobile home program. It is not dealing necessarily with mobile home parks issue, but it is addressing the decommissioning and replacement of the pre-HUD code mobile homes and then the renovation of some other mobile homes to get up to energy standards and will be administered by the HOME Program. Bruce commented that there are over 28,000 pre-HUD mobile homes in Montana.

The Board discussed how the mobile home issue in Montana could be structured. Jeff encouraged staff to be doing some technical assistance if there are projects in local communities that have a chance of being successful.

Betsy told the Board of a project she is working on in Red Lodge and asked that staff assist her in exploring options on how to structure this deal.

The Housing Montana Fund is not part of the Governor's budget. Bruce said a meeting is set up with the Governor on November 28th. Jeff encouraged Bruce to invite the Director. Betsy said the Department has given support. Bruce said he has not seen other housing legislation yet.

Bruce asked what day of the week works best for meetings. Betsy said that Wednesdays don't work and Jeff said Mondays work if he has time to get to the meeting in the evening. Jeff also likes Fridays, but that takes two day out of the work schedule. The Board wants it to be consistent. Nancy pointed out that the training session would be Sunday evening. Susan mentioned that staff shouldn't be asked to work late at night for a training session and a late afternoon would be better.

The next meeting is scheduled for December 14 in Helena. A reception will be given for the Chairman in the afternoon.

The meeting adjourned at 11.45 p.m.

J. P. Crowley, Secretary

Date